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THOMAS F. MCFARLAND

August 12, 2003



Ms. Victoria J. Rutson, Chief
Section of Environmental Analysis
Surface Transportation Board
1925 K Street, N.W.
Washington, DC 20423-0001

Re: Finance Docket No. 34395, *City of Peoria, Illinois, d.b.a. Peoria, Peoria Heights & Western Railroad - Construction Exemption -- in Peoria County, IL*
and
Docket No. AB-858X, *City of Peoria, Illinois, d.b.a. Peoria, Peoria Heights & Western Railroad - Abandonment Exemption -- in Peoria County, IL*

Dear Ms. Rutson:

The City of Peoria, Illinois, d.b.a. Peoria, Peoria Heights & Western Railroad (PPHW), will soon file a notice of exemption for construction of connecting track under 49 C.F.R. § 1150.36 and a related notice of exemption for abandonment under 49 C.F.R. § 1152.50(b). The notices will be docketed as captioned above. A waiver of the pre-filing notice required by 49 C.F.R. § 1105.10(a)(1) will be sought in conjunction with the notice of exemption for construction of connecting track. The project is described in more detail in Exhibit A attached to this letter.

PPHW proposes that in order to move the environmental review of its proposal forward, that it and its environmental contractor, Hanson Professional Services, Inc. (Hanson), prepare a preliminary draft environmental assessment ("PDEA") for submission to SEA. The PDEA would address each of the environmental issues specified in the Board's regulations, as well as any other issues that SEA may consider appropriate, including environmental justice. This document would then be submitted to SEA for review and verification by you and your staff. Following such review and verification, and any further elucidation or modification of the PDEA that SEA may deem warranted, SEA would then issue an EA for public comment. Following the receipt of such comment, we would anticipate that SEA will issue a Post-EA that would embrace any recommendations that SEA might choose to make for the Board's consideration in its final decision on the merits of the proposed PPHW exemptions.

PPHW's proposed submission of a PDEA would be consistent with the regulations of the Council on Environmental Quality ("CEQ"), 40 C.F.R. § 1506.5(b), which contemplate the

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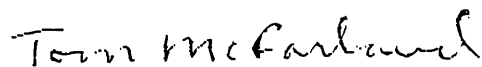
preparation of a draft EA by an applicant, subject of course to independent verification and evaluation of environmental data and impacts by the agency staff. Further, we are aware that SEA has used this procedure in the past, for example in the Canadian National/Illinois Central control proceeding, F.D. No. 33556, which of course involved a much larger transaction than is contemplated in these PPHW proceedings, which involves a very confined area geographically and relatively modest expected impacts.

PPHW proposes to work with Hanson and the SEA staff as the project moves forward so that the PDEA meets all of SEA's expectations in terms of the nature and scope of the issues to be analyzed, and the overall quality of the document. To that end, we look forward to meeting with, and working with, you and your staff to progress the preparation of the PDEA described above.

Further, PPHW and Hanson are prepared to assist SEA, as appropriate, in providing information necessary for response to any public comments on the EA. While PPHW does not anticipate that the EA issued in this proceeding will generate public comments that raise difficult or complex issues not addressed in the EA, particularly given the modest scope of both the project and expected impacts, we also recognize the constraints on the SEA staff. Accordingly, as we discussed, in the event that issues of unforeseen complexity arise in responding to the public comments filed on the EA, and that SEA is unable to adequately assess and respond to such comments given its resources, PPHW would be prepared at the time to enter a third party contractor agreement with SEA and an appropriate contractor who would assist SEA to the extent needed. At this stage, however, we believe that it is unlikely that this will be necessary.

We look forward to working with you on this project and to your response to the proposal set forth here.

Very truly yours,



Thomas F. McFarland
*Attorney for City of Peoria, d.b.a. Peoria,
Peoria Heights & Western Railroad*

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cc: Troy Brady - STB
Randy Ray - City of Peoria
Marvin Shoop - City of Peoria
Kevin Seals - Hanson Professional Services, Inc.

Exhibit A
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Description of the City of Peoria Project

The City of Peoria, Illinois, is proposing to construct approximately 1,800 feet of track over land that it owns or over which it has an easement for railroad purposes, in order to connect a segment of track that it recently purchased from Union Pacific Railroad Company (UP) with trackage that it acquired many years ago from the bankrupt Chicago, Rock Island and Pacific Railroad Company (Rock Island).

The former UP segment is approximately 1.9 miles long. It connects at its west end with a UP main line that extends in a generally north-south direction between Nelson, IL and St. Louis, MO. It was acquired by the City of Peoria by notice of exemption in STB Finance Docket No. 34066, *City of Peoria, IL -- Acquisition and Operation Exemption -- Union Pacific Railroad Company*, served July 25, 2001. No active shippers are currently located on that segment.

The former Rock Island segment is known as the Branch. It is 8.29 miles long. It was acquired by the City of Peoria in 1984 from the Rock Island Trustee after its abandonment. It connects at its east end with a rail line of the Peoria & Pekin Union Railway Company (P&PU). P&PU initially operated the Branch pursuant to lease from the City of Peoria. *See Peoria and Pekin Union Railway Company -- Exemption from 49 U.S.C. 10901*, 1984 ICC LEXIS 275, ICC Finance Docket No. 30545, notice of exemption dated Sept. 18, 1984. Thereafter the Village of Peoria Heights, Illinois acquired a 25-percent interest in the Branch, at which time ownership was referred to under the doing-business-as designation of Peoria, Peoria Heights & Western Railroad (P,PH&W). In 1998, the Branch began to be operated by its current operator, Pioneer Industrial Railway Co. (Pioneer), pursuant to an assignment of P&PU's lease from the City of

Exhibit A
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Peoria, consented to by the Village of Peoria Heights. See *Pioneer Industrial Railway Co. - Lease and Operation Exemption - Peoria, Peoria Heights & Western Railroad*, 1998 STB LEXIS 1417, STB Finance Docket 33549, notice of exemption served Feb. 20, 1998. There are three active shippers located on the Branch, two of which are located near its northwestern end and one of which is located near its southeastern end.

After the proposed construction of connecting trackage is completed, it is proposed that the two shippers located near the northwestern end of the Branch be served from the west by a rail carrier with whom the City of Peoria and the Village of Peoria Heights would enter into an operating agreement. It is proposed that at that time the shipper located near the southeastern end of the Branch be served from the southeast by the same or a different rail operator. It is proposed that the approximate 7.5 miles of the Branch that no longer would be required for the provision of rail service to shippers be railbanked and used for a recreational trail following its approval for abandonment. The trail would be supervised by the Peoria Park District. The trail would connect the Pimetcui Trail at the Peoria riverfront with the Rock Island Trail near Alta, IL.